



Division of Insurance

Division of Insurance Rate Review FAQ
August 16, 2013

Q. What is the role of the Colorado Division of Insurance in healthcare reform?

A. The Colorado Division of Insurance (DOI) reviewed the new health insurance plans, including proposed premiums, policy forms, information about provider networks, and marketing materials, that insurance companies developed to be in compliance with the health care reforms instituted by the Patient Protection & Affordable Care Act (PPACA or more simply, ACA). These reforms will apply to all **new individual and small group coverage** (50 or fewer employees) beginning January 1, 2014.

DOI reviewed plans designed for purchase through Colorado's new health insurance marketplace, Connect for Health Colorado, as well as plans sold outside of the new marketplace. Plans must meet all of Colorado's health insurance laws and regulations, and also meet the federal requirements outlined in the ACA and federal regulations. Plans that meet specific requirements for benefits, coverage and premiums are designated as Qualified Health Plans, which are designed to be sold primarily within Connect for Health Colorado, but can also be sold in the outside market.

DOI helps ensure a competitive marketplace for health insurance companies in Colorado, which provides consumers with a wide variety of choices. For more than 40 years, DOI has reviewed rate and benefit changes requested by health insurance companies. While some of the particulars reviewed this time were new due to federal regulations, the process was familiar to DOI.

Q. When can people begin to purchase the new health plans?

A. Consumers can begin shopping for new plans on October 1. The open enrollment period lasts until March 31.

Q. Are the premiums for these new plans higher or lower than current plans? Why do we see such large variations in premiums?

A. These are all new plans. They have new premiums and new benefit packages developed to meet new requirements. They are not the same as carriers' current individual and small group plans. A comparison to current or previous plans is not an apples-to-apples comparison and DOI did not try to establish equivalency to existing plans or premiums.

DOI expected to see a variation in premiums. The requirements for these plans are new and insurance companies had to make estimates, assumptions and predictions about who will enroll and how people will use their coverage. While we expected variations, DOI was careful to look for rates that seemed extreme, either too high or too low.

Q. Will these rates be what consumers will actually pay for new 2014 health plans?

A. Not necessarily. The monthly premiums do not reflect additional out-of-pocket expenses or deductibles, and many people may qualify for federal tax credits or other financial assistance for individuals and businesses if the insurance is purchased through Connect for Health Colorado, lowering the monthly premium. Consumers can visit www.connectforhealthco.com for more information about the financial assistance.

Q. What did DOI's review process include? What's "Actuarial Value" or AV?

A. DOI staff examined the new plans to ensure that they meet the new requirements under the ACA. DOI also considered the ability of the insurance carrier to pay out claims to Colorado consumers. The review process included the following steps.

- First, DOI analysts ensured the filing was complete, that the necessary data elements were submitted, and all necessary supporting documentation was attached.
- Next, the files were assigned to another DOI team for a more in-depth review.
- DOI also verified the **actuarial value** of the new plans, which indicates what portion of medical expenses a plan will pay versus the out-of-pocket costs for consumers. For example, if a plan has a 70% actuarial value, it should pay about 70% of covered medical expenses, with the remaining 30% to be paid by the consumer. Federal law established four tiers for actuarial value.
 - Bronze - 60%
 - Silver - 70%
 - Gold - 80%
 - Platinum - 90%

Health insurance companies submitted the plans at what they believed to be the appropriate level and DOI validated whether the plans met those actuarial values.

- DOI also ensured that the rating practices used by the carrier are in compliance with state and federal regulations.

Q. What else did DOI reviewers look for in these health plans?

A. DOI reviewed the plans to make sure they meet newly established requirements to cover **Essential Health Benefits** (EHBs). Essential Health Benefits are specific benefits that new individual and small group plans are required to cover. They fall into 10 basic categories.

1. hospitalization
2. emergency services
3. maternity and newborn care
4. mental health and substance use disorder services
5. prescription drugs
6. laboratory services
7. pediatric services
8. preventive/wellness/disease management services
9. ambulatory services
10. rehabilitative and habilitative services and devices

While these categories are strictly defined in federal law, carriers have flexibility in how they structure the benefits within each category. However, DOI also ensured the plans meet the standards of Colorado law, and cover all state-mandated benefits. For example, Colorado law requires insurance carriers to provide coverage of congenital anomalies, including cleft lip/palate.

In addition to proposed rates and benefits, carriers had to submit information regarding their marketing materials for these plans, along with information about their networks of doctors, hospitals and other providers.

Q. Did the numbers of plans change between May and now?

A. Yes. The number of small group plans that *will not* be sold on Connect for Health Colorado, also called off-exchange plans, decreased as carriers voluntarily withdrew some off-exchange, small group plans from DOI's review.

Q. Will DOI regulate Connect for Health Colorado?

A. DOI does not regulate Connect for Health Colorado because it is not an insurance company. It is a new *marketplace* where consumers can buy health insurance. DOI regulates the health insurance industry to ensure that companies follow the laws. DOI works with consumers to help them with health insurance questions and to ensure they receive the benefits for which they paid. As it has done for more than 100 years, DOI will continue to regulate insurance companies that offer coverage to Colorado consumers.

The Colorado Division of Insurance regulates the insurance industry and assists consumers and other stakeholders with insurance issues.

The Department of Regulatory Agencies (DORA) is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado.

Consumer Protection is Our Mission.